

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:642
ANSWERED ON:02.03.2007
ACQUISITION OF SHARES
Scindia Shri Jyotiraditya Madhavrao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has decided to purchase Reserve Bank of India's stake in State Bank of India, National Housing Bank (NHB) and National Bank for Agriculture and Rural Development (NABARD);
- (b) if so, the details of the acquisitions and the reasons therefor; and
- (c) the manner in which it is likely to affect the inflation rate and the flow of funds in the country?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b) : Yes, Sir. The Committee on Banking Sector Reforms (Narasimham Committee II), inter-alia, observed that it is inconsistent with the principles of effective supervision that the regulator is also an owner of a bank and this would require the Reserve Bank of India (RBI) to divest its holding in banks and financial institutions. Accordingly, RBI sent a proposal to transfer its shares in these entities to Government of India. Government has decided to transfer RBI shareholding in State Bank of India (SBI) to Government of India against cash payment of valuation amount to be determined on market price in accordance with Securities and Exchange Board of India (SEBI) guidelines. As National Bank of Agriculture and Rural Development (NABARD) and National Housing Bank (NHB) are unlisted entities, it has been decided to transfer RBI shareholding in them to Government of India at book value.

(c) : The transfer of ownership in these entities from RBI to Government of India is not likely to have any impact on the rate of inflation or flow of funds in the country.